

EXAMINATION OBJECTIVES

1. To assess the quality of the institution's compliance management system for the Consumer Leasing Act.
2. To determine that lessees of personal property are given meaningful and accurate disclosures of lease terms.
3. To determine if the limits of liability are clearly indicated to the lessees and correctly enforced by the institution.
4. To ensure that the financial institution provides accurate disclosures of its leasing terms in all advertising.

EXAMINATION PROCEDURES**General Disclosure Requirements**

- A. Review the institutions procedures for providing disclosures to ensure that there are adequate controls and procedures to effect compliance.
- B. Review the disclosures provided by the institution.
 1. Are the disclosures clear and conspicuous and provided in writing in a form the consumer may keep? Alternatively, are they provided electronically where agreed to by the consumer? (§213.3(a) & §213.3(a)(5))¹
 2. Are the disclosures given in a dated statement and in the prescribed format? (§213.3(a)(1))
 3. Is the information required by sections 213.4(b) through (f), (g)(2), (h)(3), (i)(1), (j), and (m)(1) segregated and in a form substantially similar to the model in Appendix A? (§213.3(a)(2))
 4. Are the disclosures timely? (§213.3(a)(3))
 5. If the lease involves more than one lessee, are the disclosures provided to any lessee who is primarily liable? (§213.3(c))
 6. If additional information is provided, is it provided in a manner such that it does not mislead or confuse the lessee? (§213.3(b))
 7. Are all estimates clearly identified and reasonable? (§213.3(d))
 8. Are the disclosures accurate and do the disclosures contain the information required by section 213.4(a) through (t)? (§213.4)

¹ The provisions to provide disclosures electronically are currently not mandatory. (7/2002)

9. Are disclosures given to lessees when they “renegotiate” or “extend” their leases? (§213.5)

Lessee Liability

- A. Review the lease estimates and calculations to ensure that there is not any unreasonable balloon payment expected of the lessee in the following circumstances:
- at early termination,
 1. Does the lessor disclose the conditions under which the lease may be terminated early and the amount and method of determining the amount of any early termination charges? (§213.4(g)(1))
 2. Are any early termination charges reasonable? (§213.4(g)(1), (q))
 - at end of lease term, for wear and use,
 1. If the lessor sets standards for wear and use of the leased vehicle are the amounts or method of determining any charge for excess mileage disclosed? (§213.4(h)(3))
 2. Are standards for wear and use reasonable? (§213.4(h)(2))
 - at end of lease term (for open-end leases), and
 1. Does the lessor disclose the limitations on the lessee’s liabilities at the end of the lease term? (§213.4(m)(2))
 2. Are the lessee and lessor permitted to make a mutually agreeable final adjustment regarding excess liability? (§213.4(m)(3))
 - in delinquency, default or late payment.
 1. Does the lessor disclose penalties or other charges for delinquency, default or late payments? (§213.4(q))
 2. Are the penalties or other charges reasonable? (§213.4(q))

Advertising

- A. Review advertising policies and procedures used by the institution to ensure that there are adequate controls and procedures to effect compliance.
- B. Review a sample of the institution’s advertisements.
1. Do the advertisements advertise terms that are usually and customarily available? (§213.7(a))
 2. Are the disclosures contained in the advertisements clear and conspicuous? (§213.7(b))

3. Do catalog/multiple page advertisements comply with the page reference requirements? (§213.7(c))
4. When triggering terms are used, do the advertisements contain the additional required information? (§213.7(d))
5. Do merchandise tags which use triggering terms refer to a sign or display that contains the additional required disclosures? (§213.7(e))
6. If television or radio advertisements use triggering terms, if they do not contain the additional terms required by §7(d)(2), do they use alternative disclosure methods (direct consumers to a toll free number or written advertisement)? (§213.7(f))

Miscellaneous

1. Are records and other evidence of compliance retained for a period of no less than two years? (§213.8)